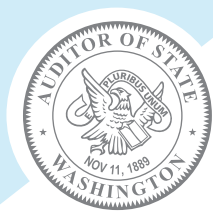




# Cash Receipting

**Keep your money secure:**

Tips for leaders, managers, supervisors  
and cashiers



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**Disclaimer:** This guidance is intended to supplement information management should consider when establishing internal controls. The guidance might not include all information that should be considered and is not intended to supersede management’s judgement in establishing internal controls, including regularly monitoring risks and ensuring internal controls are in place to address potential areas of concern.



## Leadership

Leadership sets policy and direction for financial operations, such as cash receipting. They also make important decisions about the overall structure of control systems – how cash receipting functions will be organized, when to invest in technology, and when to invest in making improvements to overall processes.



## Cashiers

Cashiers carry out the fundamental tasks of accepting payments from customers. They are responsible for following policy as established by leadership, upholding the internal control system principles established by management, and safeguarding cash that is in their custody.



## Supervisors

Supervisors of the cash receipting process monitor the cash intake to ensure deposits are made intact. They perform an important oversight role without handling the money. They identify red flags early, hold cashiers accountable, and follow up on anomalies. If a loss should occur, they are in the best position to notice it.



## Managers

Managers implement high-level policy decisions set by leadership and further develop the internal control systems. They make sure the internal control processes are properly designed to safeguard cash receipts. They also monitor those internal control processes on an ongoing basis to ensure they are functioning as designed.

# Summary

Cash receipts are the most liquid of all government assets, and arguably the most at risk for misappropriation. They are also unique in that they are handled by numerous persons, sometimes in decentralized locations throughout an organization. Collecting these payments can be costly, given the staff time and steps involved to ensure deposits are made intact.

We know the challenges governments face in managing cash collections, and in striking just the right balance between internal controls and the costs of those controls. Governments are busy managing daily operations, and sometimes they don't have the time to do the research to discover better ways of doing business. We would like this guide to help you with that.

Many governments do not have a cash receipting policy, because they are not sure where to start. However, an entity-wide policy is critically important in setting direction and expectations. It also can be used to put some important safeguards in place. This guide will help you get started on a policy.

We've been thinking about best practices for many years, and advising local governments on how to protect their cash receipts during our audits. Although there is no one solution that fits every government and every situation, there are certainly some best practices, ideas, and suggestions to consider.

We know you have limited time. That's why we have prepared guidance for you no matter what role you perform. We've made it easy for you to find just what is relevant to you. This guide can be printed in sections and distributed to whoever is in charge of certain responsibilities.

Improving our controls and being better at what we do should be our goal. Sharing ideas and best practices can help us with that goal. We hope you find our cash receipting guide helpful in your work!



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# Leadership

## Start your cash receipting policy today!

One of the most common audit recommendations nationwide is to develop a cash receipting policy. It is critical to establish some baseline expectations for this important process covering a high-risk aspect of financial operations. Here are some areas your cash receipting policy could address:

### Set the course by defining responsibilities

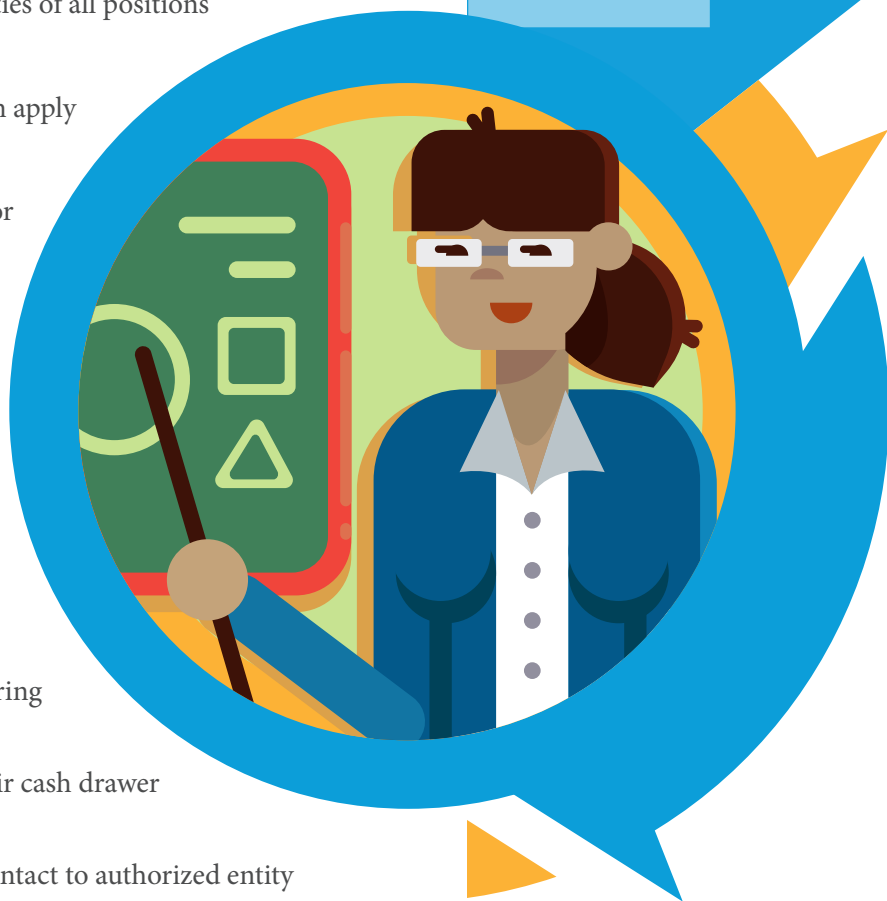
What are the responsibilities of the various positions involved with cash receipting? Defining the roles and responsibilities of all positions involved is important.

Some examples of policy requirements that can apply to all cashiers include:

- Stipulate that customers be issued a receipt for all transactions, using only authorized forms
- Require cashiers to endorse and date-stamp checks immediately upon receipt
- Expect cashiers to maintain their unique login credentials as confidential, and to lock their terminals when they step away
- Ask that chain of custody be maintained for deposits at all times. This requires documentation whenever funds are transferred between employees.
- Call for individual cash drawers, with no sharing permitted
- Expect daily balancing by each cashier of their cash drawer with the appropriate documentation
- Necessitate that all deposits should be made intact to authorized entity accounts only

Some examples of policy requirements that can apply to managers over a receipting operation include:

- Periodically observe and review internal controls to ensure they are properly designed and are operating as intended
- Ensure an independent review of the deposit is carried out by either the manager or a designee



- Monitor for unusual activity, potential losses, or other suspicious activity and report to the Treasurer promptly

Some examples of policy requirements for the Finance Director or Treasurer include:

- Authorize any new receipting locations or modifications to change funds
- Track all cash receipting locations, total change funds, and total activity

## Segregate conflicting duties

You can be broad in your policy and give some general guidelines about segregating duties:

- Segregate duties between these areas: those who have custody of the asset (primarily cashiers), authorization, recording (of the deposit) and reconciliation (of the deposit, or to the bank).

Or you have the option to be very specific:

- Specify any duties a cashier should not do. For example, if cashiers are not allowed to issue refunds, indicate this.
- Someone independent of cash receipting must reconcile the deposit by comparing the bank validated receipt to the source records. This must be done in a timely manner.

You also have the option to address small offices that can't segregate duties. See the King County policy example below for one way to provide specific instructions to small offices.

Do you want to know more about segregating duties? See our guide at [portal.sao.wa.gov/address?mid=6&rid=18538](http://portal.sao.wa.gov/address?mid=6&rid=18538)

## Who should approve?

When should employees seek approval? Without guidance, departments might start up new cash receipting activities on their own. Consider:

- Who is authorized to approve new cash receipting locations or bank accounts, or alter change funds?
- Who approves the ability for a location to accept credit card payments? (*Note: There are unique compliance requirements involved in accepting credit cards.*)
- What is the process and expectation for depositing less frequently than every 24 hours? Who approves this waiver, and how long is the waiver good for before it must be re-evaluated?

## Keep it all secured

Security for the deposit includes many factors, such as:

- Will you be using tamper-proof (sealed or locking) bags?
- Where will deposits be stored awaiting pickup? Do you expect storage to be in a locked safe, or is a locking cabinet acceptable? How often should the combination be changed? At what level of deposit activity should the location use a safe rather than a locking room or drawer? Who should have access to the safe (Is access limited to only essential personnel?)
- Is there a level of deposit activity that would require the department to transfer the funds to a head receiving office or deposit them quickly with the bank?



## If there is a loss, make sure to tell the boss!

Establish a communication mechanism for when losses are suspected or known. Consider:

- How will your processes ensure you can comply with state law requirements for reporting to the Auditor's Office (RCW 43.09.185)?
- Which entity officials should be notified and at what point?
- Who contacts law enforcement and when?
- What expectations do you have of staff who first discover an issue, such as expectations about securing records?

## Want a sample? Here are some examples:

- King County: Cash Handling, Receipting and Reconciliation: [www.kingcounty.gov/about/policies/aep/financeaep/fin1532aep.aspx](http://www.kingcounty.gov/about/policies/aep/financeaep/fin1532aep.aspx)
- Jefferson County: Revenue/Cash Handling Policies and Procedures: [www.co.jefferson.wa.us/DocumentCenter/View/743/Jefferson-County---Rev-Handling-Policy-PDF](http://www.co.jefferson.wa.us/DocumentCenter/View/743/Jefferson-County---Rev-Handling-Policy-PDF)
- Cowlitz County: Cash Handling Policy and Procedures: [www.co.cowlitz.wa.us/DocumentCenter/View/14706/18-051-Rescinding-Resolution-No-17-007-and-Adopting-a-Cash-Handling-Policy-and-Procedures?bidId=](http://www.co.cowlitz.wa.us/DocumentCenter/View/14706/18-051-Rescinding-Resolution-No-17-007-and-Adopting-a-Cash-Handling-Policy-and-Procedures?bidId=)
- City of Stanwood: Cash Receipting Policy and Financial Controls: [www.ci.stanwood.wa.us/cityclerk/page/city-stanwood-policy-directory](http://www.ci.stanwood.wa.us/cityclerk/page/city-stanwood-policy-directory)
- City of Spokane: Cash Handler Policy and Procedures Manual: [mrsc.org/getmedia/8FABC54-C261-492E-9917-899FAE239020/S73chman.aspx](http://mrsc.org/getmedia/8FABC54-C261-492E-9917-899FAE239020/S73chman.aspx)

## Leadership

### Tips to simplify cash receipting

Collecting payments from customers can be labor intensive and costly. Consider these possibilities for saving time and money when performing this important aspect of public service.

#### Make a date to consolidate

Consolidating physical locations can reduce resources required to cash receipt, strengthen controls, and reduce monitoring efforts. For example, a building that houses multiple cash receipting counters could reduce to one receipting counter; a joint receipting lobby.

#### Invest the time to improve

We know that you and your staff are busy, but taking the time to evaluate your current practices can help you free up time and resources in the future. Where are the redundancies and inefficiencies in your processes? We can help you get started with our no-additional-cost, customizable continuous improvement services. Contact [Center@sao.wa.gov](mailto:Center@sao.wa.gov) to learn more.

#### Options can save the day

- Online or automated payments can reduce activity at the cashier counter. Just make sure to market these options to your customers and make their online experience as seamless as possible.
- Accepting credit card payments is less work from an internal control standpoint and there is less risk of theft of the deposit. Consider information that the Municipal Research and Services Center (MRSC) has on this subject: [mrsc.org/Home/Explore-Topics/Finance/Accounting-and-Internal-Controls/Credit-Card-Acceptance.aspx](http://mrsc.org/Home/Explore-Topics/Finance/Accounting-and-Internal-Controls/Credit-Card-Acceptance.aspx)

#### Technology can save money over time

Although technology can cost money to purchase and implement, it is important to consider the amount of staff time it could save over a potential payback period. Some ways employee time can be saved include:

- Deposit checks right from your office using “remote check deposit” technology. If you want to process at high speed, use an automated check scanner.
- Use fee-collecting machines to collect payments at decentralized locations.
- Consider smart safes that can count money, manage user access, validate bills, and provide real-time data.

## Make the best use of your technology

Use your automated receipting software to its full potential. Here are some tips:

- Integrate or interface your software with your primary general ledger to avoid recording transactions twice and to facilitate reconciliations between the two systems.
- Know what your software has to offer for report queries and data-mining options so you can use them where it makes sense.
- Restrict user permissions to reduce the amount of monitoring needed for cashiers and others.

## You might want to outsource those checks

If you receive a lot of mailed payments, and you are using manual methods to open them, then it might make sense to use a contracted service that has the technology and controls in place to open these payments and record them quickly.

Do you have other ideas we should add to this tip sheet? If so, please share with us at [Center@sao.wa.gov](mailto:Center@sao.wa.gov)!





# Cashiers

## Remember these best practices when cash receipting

Cashiers are the first line of protection when it comes to cash receipting. Know the rules, and follow some best practices and principles to help protect funds as well as yourself.

### Know the rules, let policy be your guide

Whether your entity has a policy, written procedures, or a cash handler's manual, make sure you know what is expected of you. If you are questioned, you can always explain that you are following policy.

### Some things just shouldn't be shared

Just like you wouldn't share a toothbrush, don't share your cash drawer or your login credentials or the safe combination. And remember not to inadvertently share your terminal: Lock it when you step away.

### Rock it with receipts

Always give customers a proper receipt, even if they do not ask for one, with the mode of payment (cash, check, or credit card) accurately reflected on the receipt.

### Protect the checks

When you accept a check payment, make sure to endorse and date stamp it immediately. This protects these payments from later being used to manipulate deposits or from being stolen.

### If in doubt, put it in a suspense account

Checks should not be held out from the deposit, even if you are not sure which account it belongs to or where to code it. Code it to a suspense account while you are researching it, but be sure to deposit it as promptly as you would any other payment.



## Lock it or lose it

Always keep funds that are awaiting deposit secured, day or night. This means deposits should be in tamper proof bags or locked bank bags and stored in a locked safe or equivalent.

## Be sure to reconcile

Reconcile your drawer daily and properly record overs or shorts. This means you should not use an extra stash or personal funds to make deposits exact.

## If you adjust, documentation is a must

If you void, adjust or cancel a receipt, document your support well to demonstrate it was done for a valid purpose. Keep this documentation with the deposit records so it can be reviewed by management and available for audit.

## Double count before you hand off money

If you transfer deposits to another person, count the funds together in each other's presence, and document the transfer with both persons signing off as to the amount. This protects you from any later discrepancies that might arise with the deposit.

## Don't be late

Make deposits in accordance with state law, or your policy if you have an approved exception to the 24-hour rule. Deposits should never be held: Being asked, by anyone, to hold a deposit is a red flag and should be reported to management.

## Report red flags!

Trust yourself: If something seems unusual or doesn't follow approved policies and procedures, report it! It could be that you observe someone using unauthorized receipt books, taking deposits home, asking others to hold work, or checking the mail by themselves at odd hours. Report any concerns to management, or submit them anonymously to our Office at [www.sao.wa.gov](http://www.sao.wa.gov).



# Supervisors

## Remember these best practices when monitoring deposits

Supervisors play an important role in the cash receipting process, because they are in the best position to identify red flags and discrepancies while performing their oversight procedures. Here are some tips to help you make sure your oversight procedures are top notch.

### No accessing the money

To be the reviewer, you should be independent and have no access to the deposit. This means that you shouldn't cover cashier breaks, deliver the deposit to the bank, or access the safe. If you have any access, then the independent review should be assigned to someone else. If you have a very small staff, at a minimum someone independent should periodically review the reconciliation to ensure deposits are made intact and on time.

### Get to the source

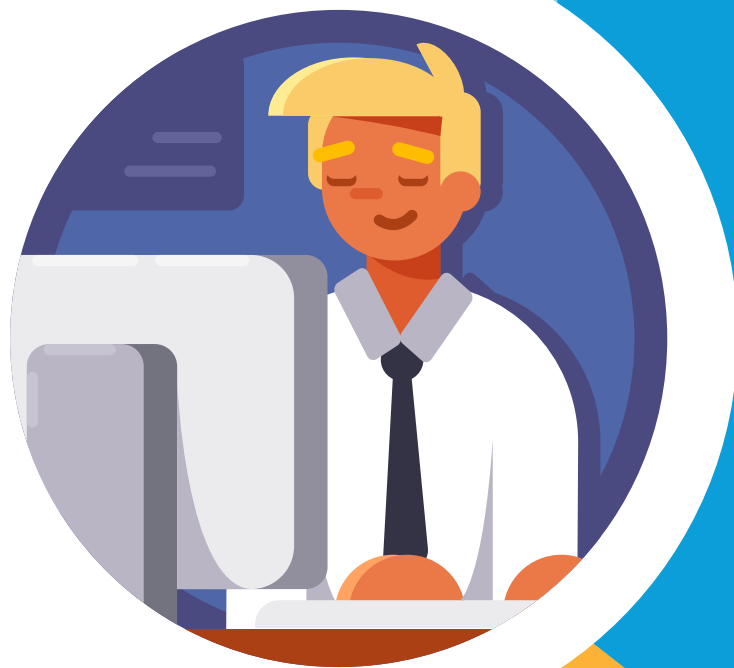
Reconcile all source records for the deposit, to the validated bank receipt or online banking information. Consider generating any reports yourself to make sure they contain all the activity, especially if someone might be able to alter what data the reports will include.

### Reconcile by mode

The total cash and check funds according to the receipts and other source records should each be subtotaled and compared to the bank's validated receipt. This is important to detect any check for cash substitution fraud scheme.

### Watch the dates

Delayed deposits can be a sign of deposit tampering or personal borrowing from the deposit. This red flag should not be ignored or allowed to continue. Make sure to follow policy for timely deposits and hold staff accountable.



## Take an extra peek

Also called a last look, you might have the bank periodically return a deposit, or review it with the cashier just before it leaves for the bank. The last look entails review for any irregularities, such as personal checks from employees or signs that the deposit includes older checks.

## Try to be prompt

Promptly review deposits so that you can detect and report issues when they are more likely to be small. It can be much more difficult to deal with issues after much time has passed.

## Know what to expect

Form expectations about what you expect to see in a deposit so you know when something appears off. For example, when do you expect larger deposits – would that be on a Monday or the first of the month? Do you expect to see a certain amount of cash in each deposit, and how does that compare to how much cash is actually included in the deposit?

## Think like an auditor

If those involved with cash receipting have conflicting duties, put processes in place to monitor them. For example, if cashiers are allowed to adjust receipts or customer accounts, monitor the reports for these activities and ensure transactions are valid. You should generate the reports yourself to ensure they contain all the data you expect.

## Technology might be your friend

Your receipting software might have many different reporting options to help you monitor cashiering activities. Spend some time familiarizing yourself to see what your system has to offer!

## Know your software's weakness

Be vigilant in knowing how your receipting software works, and if it has any weak spots that could allow fraud to occur. You will need a plan to monitor for any weaknesses.

## Keep an eye open for red flags

As you observe daily activities of a cash receipting operation, pay close attention to what is happening and watch for any red flags that might concern you. For example, are mail payments being left lying about? Is the safe locked or unlocked? Are cashiers leaving their cash drawers unattended and accessible to unauthorized access?



# Managers

## Reduce your risk for cash receipting

Cash handling involves risk, and sometimes those risks are exploited, which can lead to fraud or theft. Here are some options managers can think about to reduce their government's risk of fraud or loss. As Benjamin Franklin once said, "an ounce of prevention is worth a pound of cure."

## Check backgrounds thoroughly when you are hiring

This is a best practice to ensure you do not knowingly hire staff with prior documented criminal history. Although this won't prevent you from hiring employees with unreported issues, or those that just haven't committed any acts to date, it is a good starting place.

## Reap the benefits of training

Employees and supervisors who receive training are more likely to monitor for red flags and problems, and report them. Also, if you educate employees about why a certain control is important, they are more likely to do it.

## Storing more deposits means more risk

The more deposits you have on hand, the more your risk increases for fraud, theft, or deposit tampering. One option is to make more frequent deposits. But you also might consider accepting credit card payments, automatic payments, and online payments; just be sure to heavily market these options to your customers.

## Assign oversight by independent eyes

Each cashiering operation needs an assigned independent reviewer to ensure deposits are made intact, a person who has no access to deposits or receipts. It's important to periodically check in to make sure this control is in place and the reviewer is truly independent.



## Review your controls

Periodically evaluate to ensure the controls are properly designed and being carried out. Departments might change internal controls over time and unknowingly create fraud risks, which provides opportunities for it to go undetected.

## Ask your bank for detailed deposit receipts

Some banks have stopped providing detailed receipts. If you can work with your bank to obtain validated deposit receipts, with detail about how much cash and check amounts were deposited, it can help you more effectively monitor for certain fraud risks.

## Double-check anything that's high tech

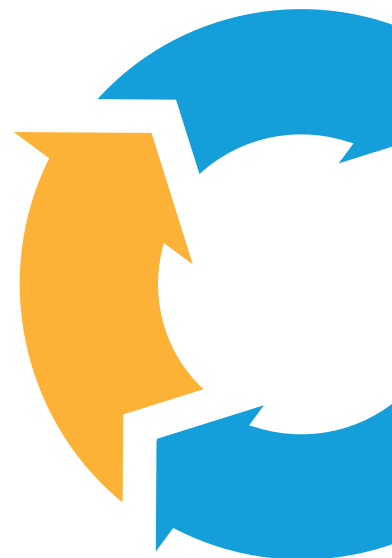
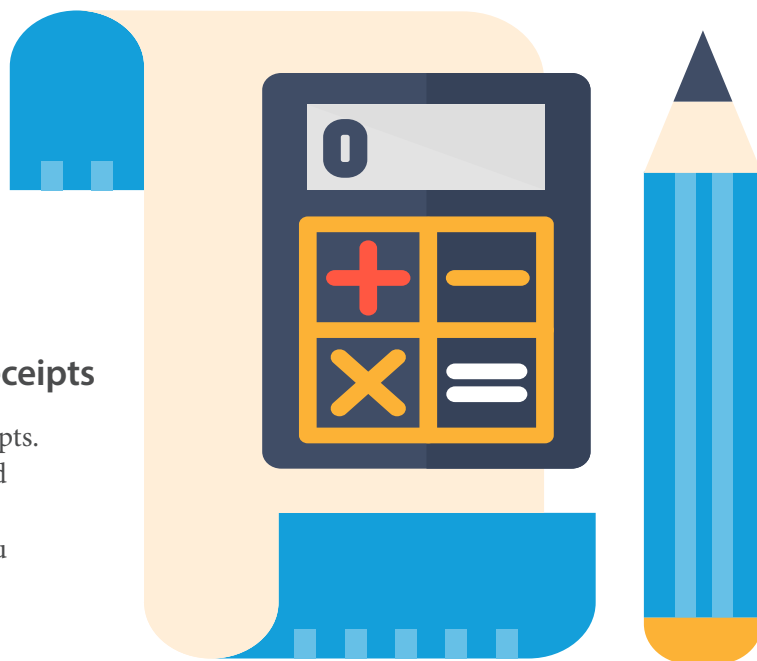
Cash receipting software systems can have their shortcomings or weak spots. It's best to know what those are so safeguards can be put in place. For example, if a system allows cashiers to modify receipts, you will want to monitor for this.

## Show up as a surprise

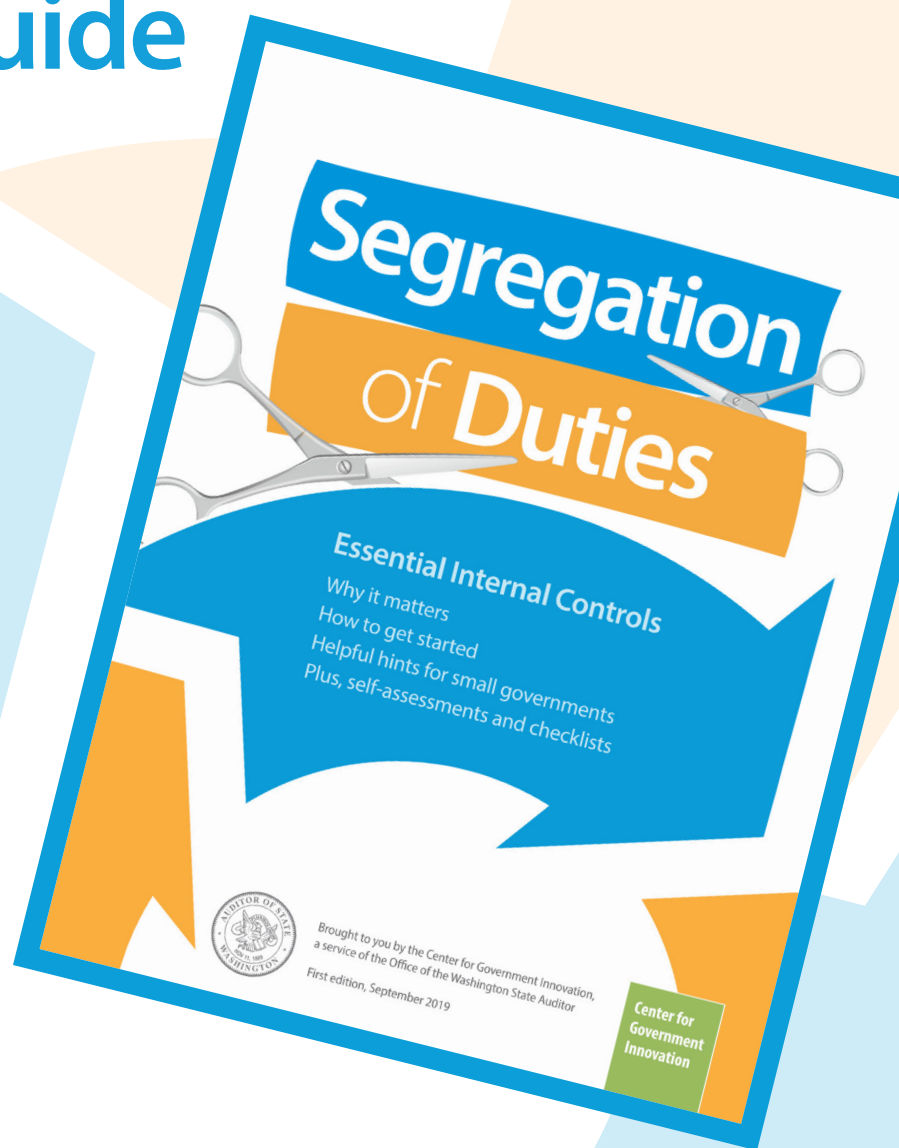
Surprise cash counts or unscheduled reviews can be educational for you or whomever you assign this duty. Surprise visits also serve as reminders that following policy is important to management and staff could be checked on at any time.

## One cure might be to properly insure

You have the option of procuring performance bonds and/or fidelity bonds and might want to cover more positions than the minimum requirement in state law. Only fidelity bonds cover dishonest acts such as theft, but it is typically performance bonds that are required.



# For more information on Cash Receipting see our Segregation of Duties Guide





“Our vision is to increase **trust** in government. We are the public’s window into how tax money is spent.”

– Pat McCarthy, State Auditor

Washington State Auditor’s Office P.O. Box 40031 Olympia WA 98504

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